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SECURITY ENHANCEMENTS AND PROPOSED NEW CONFERENCE FACILITIES

Funding options for security enhancements

Addendum

In response to conclusion 2005/6 of the Programme and Budget Committee, provides updated and detailed information on possible funding options for Phase II of the security enhancements and related work.

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Introduction

1. In its conclusion 2005/6, the Programme and Budget Committee requested the Secretariat to pursue its efforts to provide Member States with detailed information on possible funding options for windows replacement, the establishment of a radio control system and UNIDO's share of the measures under phase II of the security enhancements, taking into account the diverse views expressed during the recent session of the Programme and Budget Committee.

2. In documents IDB.30/12, IDB.30/12/Add.1, IDB.30/11 and PBC.21/CRP.4, the Secretariat reported in detail the nature of the security enhancement items. The various projects under phase II, most of which are associated with the deployment of additional security officers, as well as the windows replacement programme, represent financial commitments and actual expenditures to be made during 2005.

3. In document IDB.29/19, possible funding sources were elaborated in connection with phase I of the security enhancements. There appears to be no additional financing modality available for financing phase II and its related activities. For the sake of completeness, the options are reproduced below with updated information.

I. VOLUNTARY CONTRIBUTIONS

4. In document IDB.29/7 the potential utilization of voluntary contributions for financing the security enhancements was presented in detail. While voluntary contributions could theoretically yield immediate cash resources, its feasibility depends to a large extent on the likelihood and timing of necessary donations.

5. This option was discussed extensively during the twentieth session of the Programme and Budget Committee as well as the twenty-ninth session of the Industrial Development Board. Both organs noted the importance that all Member States enable UNIDO to finance its share of security enhancements and hence a financing modality was required that would ensure universal participation.

II. RETENTION OF THE UNENCUMBERED BALANCES OF APPROPRIATIONS

6. Unencumbered balances of appropriations are the difference between regular budget appropriations and actual expenditures in any fiscal period, i.e. budgetary biennium. Such balances arise mainly from the non-payment or delayed payment of assessed contributions by Member States, resulting in the under-implementation of approved programmes.

7. After determining the level of unencumbered balances for the fiscal period, the amount actually received in cash becomes due for adjustment to Member States that have fully paid their contributions for the respective biennium, in proportion to their respective assessment rates.

8. According to financial regulation 4.2 (b), "The unencumbered balance of the appropriations at the end of the fiscal period shall be surrendered to the Members at the end of the first calendar year following the fiscal period after deducting therefrom any contributions from Members relating to that fiscal period, which remain unpaid, and shall be credited to the Members in proportion to their assessed contributions."

9. Furthermore, financial regulation 4.2 (c) stipulates that "At the end of the twelve-month period referred to in regulation 4.2 (b), the then remaining balance of any regular budget appropriations retained shall be reported in detail by the Director-General to the External Auditor for examination and review and, after deducting therefrom any contributions from Members relating to the fiscal period of the appropriations which remain unpaid, shall be surrendered to the Members in proportion to their assessed contributions at the end of the second calendar year following the fiscal period to which the appropriations relate provided, however, that before the respective share of the balance is surrendered to any Member that has outstanding regular budget obligations to the Organization, those obligations shall first be brought to account."

10. In the past, to address important financial constraints, the General Conference had frequently suspended the relevant financial regulations and authorized the retention of unutilized balances of appropriation. A detailed report of such suspensions was included in document GC.8/21 covering the period from 1986 to 1995, i.e. five bienniums.

11. The eighth and ninth sessions of the General Conference did not suspend the relevant financial regulations, but introduced a voluntary aspect by encouraging Member States to renounce their shares of the unencumbered balances of appropriation. Due to a positive response from Member States, significant amounts from the unencumbered balances of appropriation relating to the bienniums 1992-1993, 1996-1997 and 1998-1999 were utilized for integrated programmes and country service frameworks.

12. In January 2004, further unencumbered balances relating to the bienniums 1992-1993, 1996-1997, 1998-

1999 and 2000-2001 amounting to €4,367,691 were distributed to eligible Member States. However, some Member States renounced their share on a voluntary basis (€1,265,457) for various purposes.

13. For the biennium 2002-2003, €1,895,208 has been collected and €1,378,052 was collected against prior bienniums' assessments, totalling €3,273,260, as shown in the table. Further, it is estimated that an additional amount of €300,000 will be collected, totalling €3.6 million that will become available for distribution in January 2006, unless otherwise decided by the Conference.

Amounts due to Member States
(In euros)

	2002-2003	Prior bienniums	Total
Amounts collected as at 10 June 2005	1,895,208	1,378,052	3,273,260
Expected collections	150,000	150,000	300,000
Total	2,045,208	1,528,052	3,573,260

14. It is important to note that some Member States indicated institutional obstacles in their national legislation, which would not allow them to support this financing modality.

III. SUPPLEMENTARY ESTIMATES

15. Financial regulation 3.9 provides that "Supplementary estimates for the current fiscal period for the regular and operational budgets shall, when required, be submitted by the Director-General. They shall be prepared in a form consistent with the approved budgets, and they shall be reviewed and approved in accordance with the procedure laid down for the initial estimates in regulations 3.5 to 3.8 and 3.11."

16. The procedure referred to in regulations 3.5 to 3.8 foresees that supplementary estimates shall be submitted by the Director-General to the Industrial Development Board through the Programme and Budget Committee. The Board shall examine the proposals by the Director-General together with any recommendations of the Programme and Budget Committee and adopt the proposal by a two-thirds majority with such modifications as it deems necessary, for submission to the Conference for consideration and approval. The Conference shall consider and approve the proposal by a two-thirds majority. It may make amendments, however, in accordance with financial regulation 3.11, i.e. by referring the matter back to the Programme and Budget Committee and the Industrial Development Board, should there be anticipated expenditures in connection with the amendments.

17. In documents IDB.30/12 and IDB.30/12/Add.1, the Director-General submitted his proposal for supplementary estimates in line with the provisions of the relevant financial regulations for the entire requirements of the security enhancements and related work. Should these supplementary estimates be approved, Member States would be assessed in line with the scale of assessments applicable for 2004. The assessment letters would be sent out immediately after the approval of the supplementary estimates in accordance with the schedule annexed to document IDB.30/12/Add.1.

IV. ACTION REQUIRED OF THE BOARD

18. The Board may wish to take note of the present document.